

OPEN MEETING AGENDA ITEM



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SUNRISE HILL AT VALLEY VIEW

December 8, 2014

Arizona Corporation Commission
 Attention: Steven M. Olea, Director Utilities Division
 1100 W. Washington
 Phoenix, AZ 85007

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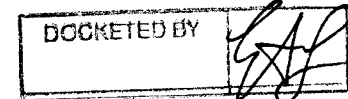
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Residential Utility Consumer Office
 Attention: Mr. Patrick Quinn, Director
 1110 W. Washington, Suite 220
 Phoenix, AZ 85007

ORIGINAL

Arizona Corporation Commission
DOCKETED

DEC 08 2014



Dear Messrs Olea and Quinn,

Re: UNS Electric's 2015 REST Plan and planned transfer from TEP of a 30 MW solar PPA for a solar project to be located in Cochise County

I am the owner of a large residential development in Fort Mohave, Mohave County and a current customer of UNS Electric ("UNSE").

I have reviewed UNSE's proposed 2015 REST Plan (the "REST Plan"), and the Utilities Division's Open Meeting Memorandum dated November 3, 2014 and attached proposed order.

If only as a UNSE-ratepayer, I am deeply concerned about the complete lack of transparency of the process and terms of a proposed transfer by TEP to its affiliate, UNSE, of a portion of its own PPA for a wind project near Willcox in Cochise County, revitalized as a new 30-MW solar project to be located at that same site. Below are my concerns:

UNSE requests that the Commission, as part of the proposed approval of its REST Plan also approve a "Red Horse Project" summarily described in the REST Plan as a 30 MW solar project "Not owned by UNSE", therefore under a Power Purchase Agreement (PPA) arrangement. What the REST Plan does not show is that this 30 MW solar project is a proposed new incarnation of a portion of a 51 MW wind farm that TEP has agreed to under a PPA.

Per the Commission's Decision No. 74014 (Jul 30, 2013) (Docket E-01933A-13-0056) to approve TEP's 51 MW Red Horse Wind 2, LLC power purchase agreement, this 51 MW PPA resulted from a Commission-mandated RFP that was conducted by TEP in 2011 for Arizona-based wind-only resources. Per public filings this Red Horse Wind Project would be interconnected to TEP's 34.5 kV overhead power lines and interconnect to TEP's nearby Winchester substation.

The Cochise County Board of Supervisors approved the Special Use Permit for the 51 MW wind farm on June 11, 2016. In June 2013 when the Cochise County Board of Supervisors approved the special use permit for the 51 MW wind project, it still was a 100% wind project. Similarly, as at July 18, 2013, when the Commission approved TEP's Red Horse

SUNRISE HILL AT VALLEY VIEW

PPA, this PPA was still a 51 MW, all-wind project. Even as at December 31, 2013, the Red Horse project remained publicly reported as a 51 MW wind-only project by the North American Development Bank (NADB), from whom the developer was seeking substantial debt funding.

However, according to the records of the Cochise County, at the April 9, 2014 Cochise County Planning & Zoning Commission meeting, the developer of the Red Horse Wind project discussed a new special use permit application to “replace” a portion of the 51 MW wind farm by a 30 MW solar farm to be located at the same site. The public minutes of that meeting reflect that a representative from Torch Renewable Energy stated that: *“a buyer existed for the power, and that the solar was replacing a portion of the previously approved wind energy solar plant”*. In other words, it appears that the developer and TEP have agreed, without any apparent external review, for the existing PPA to be reduced to (i) a 21 MW wind project to be kept by TEP and (ii) a 30 MW wind portion to be replaced by a 30 MW solar project that TEP would then hive off to its affiliate, UNSE – also without any apparent regulatory review.

Until both the resource replacement under the existing TEP PPA and the affiliated-parties swap take place, the proposed 30 MW solar project would not morph into an UNSE-owned PPA. As a result of this combination of swaps, if indirectly approved via the Commissions approval of UNSE’s 2015 REST Plan, TEP would be able (i) to divests itself of commitments for what now could be surplus or less attractive wind resources under its existing, ACC-approved and wind-only PPA, and (ii) transfer this liability (revitalized as a new solar project) to its affiliate, UNSE.

As far as UNSE ratepayers are concerned, this is tantamount to a sole-sourced solar PPA procured, also on a sole source basis by its affiliate, for what would be UNSE’s largest, single renewable resources commitment to date or planned for the foreseeable future. Moreover, this large project would be located remote from its service areas and, if bundled power and renewable attributes are part of the PPA, this resource would attract substantial transmission costs

As a UNSE ratepayer in Mohave County, I find the proposed transfer to UNSE very troubling and unsatisfactory:

1. Procurement process: How have the terms been negotiated between TEP and the Red Horse wind developer? What was the process? Has a new PPA been agreed for the 30 MW solar project and when was this approved by the ACC? How was UNSE involved and independently represented?
2. Has the Commission agreed to the implicit change in the 51-MW wind-only PPA that it approved for TEP in 2013?
3. PPA Terms: What are the contract terms of this solar project. Are these terms competitive and what are the costs to UNSE ratepayers. Were these new solar PPA terms competitively procured? How were the UNSE ratepayers interests represented?
4. Transmission costs and Transmission losses: What are the transmission costs to deliver the power of the proposed solar project to UNSE? Whereas the location close to TEP’s grid near Willcox makes much economic sense to interconnect a renewable energy project directly to TEP for TEP’s own use, that same location for a solar farm *prima facie* makes limited sense for UNSE as offtaker. Unless TEP (and other transmission services providers) agree to “waive” transmission charges, this PPA

SUNRISE HILL AT VALLEY VIEW

could result in a long-term liability for very expensive power for UNSE on the basis of the project's remote location alone. Has UNSE considered transmission losses and the cost thereof to its ratepayers? That is why most solar projects are located inside the off-taker's service area and tied directly to its own grid – as UNSE has done in the recent past and per its REST Plan plans to do again.

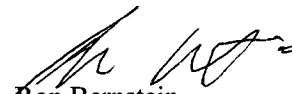
5. Transfer between Affiliates. Has this proposed affiliated parties transfer arrangement between TEP and UNSE been reviewed by the ACC? R14-2-804 of the Arizona Administrative Code requires Commission Review of Transactions Between Public Utilities and Affiliates.

UNSE has excellent solar resources and ample available land in its own service area, including particularly Mohave County, to deploy for renewable projects, at potentially more attractive terms than by using solar resources located 400 miles away on terms of a PPA contracted behind closed doors by an affiliate in a process without any regulatory review.

We therefore respectfully request that the Commission and RUCO review these proposed transactions before approving UNSE's 2015 REST Plan as is currently proposed.

Please feel free to contact me at pepparts11@aol.com or my cell: (702)-278-6300 to discuss.

Sincerely,


Ron Bernstein,
Fort Mohave, Mohave County
Cell: 702-278-6300
Email: peppart11@aol.com

Attachments:

- Exhibit A – Excerpt from UNSE's 2015 REST Plan
- Cochise County Planning & Zoning Commission Final Minutes of Public Hearing (April 9, 2013), Docket SU-14-06 (A Special Use authorization request for a Solar Energy Power Plant on one section of land located approximately 14-miles west of Willcox)
Web reference:
https://www.cochise.az.gov/sites/default/files/planning_and_zoning/040914%20PNZ%20Minutes%20FINAL.pdf

SUNRISE HILL AT VALLEY VIEW

ATTACHMENT A

Excerpt from UNSE's 2015 REST PLAN (AS PROPOSED)

Table 1 below depicts UNSE's utility-scale projects, including existing systems planned resources.

Table 1. Utility Scale Generation

Project	Capacity MW	Annual MWh	Technology	Expected In-Service Date	UNSE Owned
Existing Renewable Generation					
Western Wind (Brookfield)	10	23,437	Wind	Operational	No
Western Wind (Brookfield) Solar	0.5	925	Fixed PV	Operational	No
Black Mountain (BMSF)	9.9	23,298	Fixed PV	Operational	No
La Senita	1.2	2,105	Fixed PV	Operational	Yes
Rio Rico	7.2	11,427	Fixed PV	Operational	Yes
Total Existing	28.8	61,192			
Bright Arizona Solar Buildout Plan					
TBD (Kingman Project)	5.8	10,730	TBD	2015	Yes
Total Future - BASBP	5.8	10,730			
Future Renewable Generation					
Red Horse Project (Solar)	30	32,193	Fixed PV	Jun-15	No
Total Future – Pending (Contracts)	30	32,193			
Total Planned Generation (Contracts)	64.6	42,923			
Total Planned Generation thru 2015	58.8	93,385			

Source: UniSourceEnergy Services, UNS Electric, Inc. 2015 Renewable Energy Standard Implementation Plan, Page 4

SUNRISE HILL AT VALLEY VIEW

ATTACHMENT B

Excerpt from

COCHISE COUNTY PLANNING & ZONING COMMISSION

FINAL MINUTES

April 9, 2014

REGULAR MEETING at 4:00 p.m.

The regular meeting of the Cochise County Planning and Zoning Commission was called to order at 4:00 p.m. by Vice-Chair Martzke at the Cochise County Complex, 1415 Melody Lane, Building G, Bisbee, Arizona in the Board of Supervisors' Hearing Room.

Vice-Chair Martzke admonished the public to turn off cell phones, use the speaker request forms provided, and to address the Commission from the podium using the microphone. He explained the time allotted to speakers when at the podium. He then explained the composition of the Commission, and indicated there were two Special Use dockets and a Regulation change on the agenda. He explained the consequences of a potential tie vote and the process for approval and appeal.

ROLL CALL

Mr. Martzke noted the presence of a quorum and the roll, asking the Commissioners to introduce themselves and indicate the respective District they represent; seven Commissioners (Tim Cervantes, Jim Lynch, Gary Brauchla, Pat Edie, Jim Martzke, Carmen Miller and Joe Garcia) indicated their presence. Staff members present included Beverly Wilson, Planning Director; Britt Hanson, Chief Civil Deputy County Attorney, Michael Turisk, Planning Manager, Dora Flores, Permit and Customer Service Coordinator, Keith Dennis, Planner II, and Peter Gardner, Planner I.

NEW BUSINESS

Item 1

PUBLIC HEARING

Docket SU-14-06 (Torch Renewable Energy, LLC): A Special Use authorization request for a Solar Energy Power Plant on one Section of land located approximately 14-miles west of Willcox.

ATTACHMENT B (Continued)

The proposed utility-scale solar array would be constructed on private land, and the accessory infrastructure would be constructed on adjacent state trust land. The Applicant is Torch Renewable Energy, LLC, Glenn Holliday, Agent for Applicant.

Vice-Chair Martzke called for the Planning Director's report. Planning Manager, Michael Turisk presented the Docket, explaining the background of the request utilizing photos, maps, and other visual aids. He explained the support and opposition from neighbors. Mr. Turisk also explained Staff's analysis of the Special Use factors. He closed by listing factors in favor of and against approval and invited questions from the Commission.

Mr. Martzke asked if the Applicant wished to make a statement. Mr. Glenn Holliday from Torch Renewable Energy spoke, explaining the concept of the project. He explained that a buyer existed for the power, and that the solar was replacing a portion of the previously approved wind energy solar plant. He explained the private access to the site and technical details of the system proposed. Mr. Holliday explained the approved siting of the transmission lines. He also explained how runoff would be controlled and how flooding and erosion would be prevented on the site as well as on adjoining properties. He also discussed the plant and wildlife studies required, and discussed the studies required in the Conditions, explaining that requirements were different on private land as opposed to State Trust land. Mr. John Kilberg from Torch Renewable Energy spoke about the economic basis for the project.

Mr. Martzke then opened the Public Hearing.

[*****]

Motion: Motioned to grant the Special Use with the Conditions as recommended by Staff, replacing Condition 1 with "Applicant shall submit all required Federal and State studies and provide copies to Community Development" and striking Condition 7 requiring burial of transmission lines.

Action: Approve with Conditions **Moved by:** Mr. Lynch **Seconded by:** Mr. Brauchla

Vote: Motion passed (**Summary:** Yes = 7, No = 0, Abstain = 0)

Yes: Mr. Lynch, Mr. Cervantes, Mr. Martzke, Ms. Edie, Ms. Miller, Mr. Garcia, and Mr. Brauchla

No: 0

Abstain: 0

End of Excerpts

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ATTACHMENT C

**DRAFT BOARD DOCUMENT BD 2013-##
CERTIFICATION & FINANCING PROPOSAL
COCHISE COUNTY, AZ**

Energy Resources	TEP ² (2011)	AZ Mix ³ (2011)
Nuclear	-	13.8%
Petroleum	-	0.4%
Pumped storage	-	0.6%
Total	100.00%	100.00%

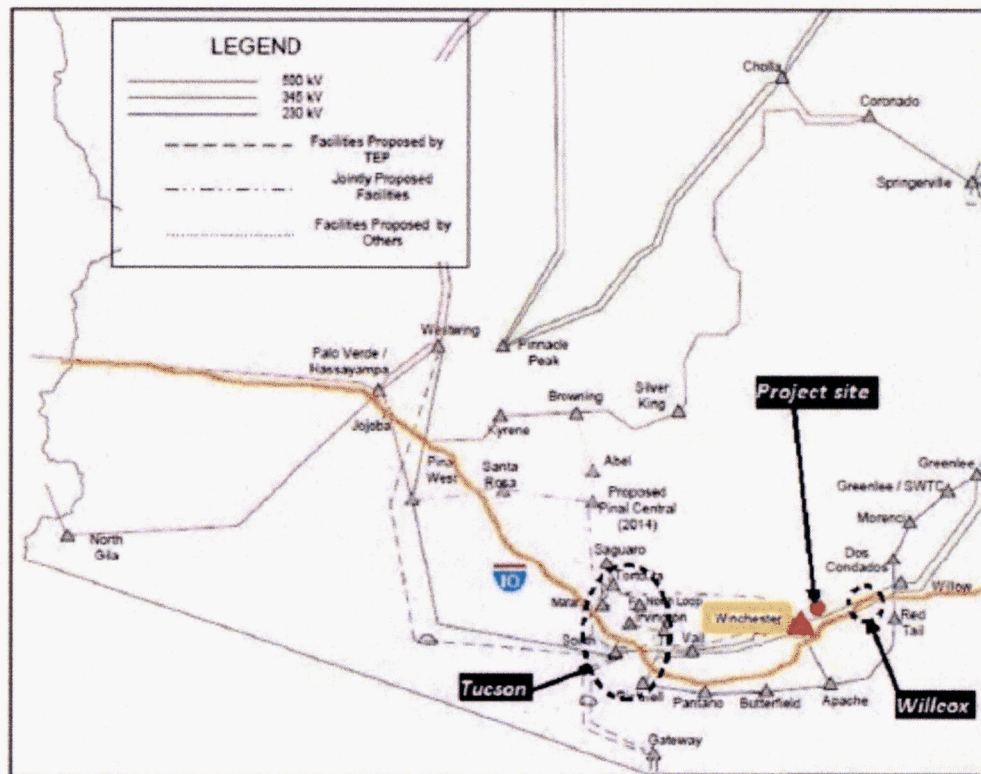
¹ Other renewables include wind, solar thermal, photovoltaic energy, wood-derived fuels and biomass.

² Source: Tucson Electric Power Company.

³ Source: U.S. Energy Information Administration.

TEP is a member of the West Connect Planning Area and the Southwest Area Transmission (SWAT) Sub-Regional Planning Group. TEP participates in various SWAT subcommittees, working groups, and task forces including the SWAT Renewable Energy Transmission Task Force (RTE) and the Southeast Arizona Transmission System (SATS). The Project will be interconnected to the existing TEP Winchester substation which provides service to southeast Arizona.

**Figure 3
TEP EXISTING AND PLANNED TRANSMISSION INFRASTRUCTURE**



Source: Tucson Electric Power. Ten Year Plan for Years 2010-2019